

# A Conversation with President Todd Leff; Part 2

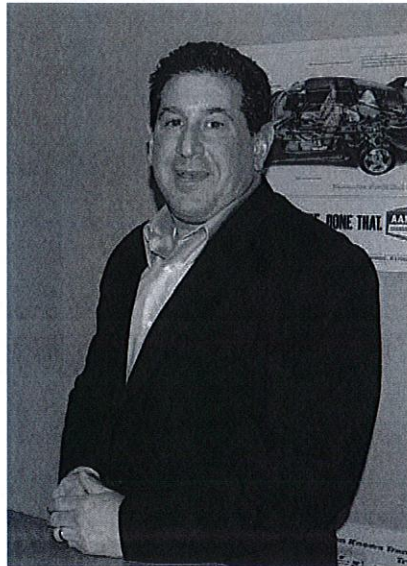
by Steve Bodofsky

In the last issue of *GEARS*, we spoke with Todd Leff, President of the newly merged companies of Cottman and AAMCO. In it, we discussed his view of the future of this business, and how the new AAMCO was going to use its Complete Car Care program to improve its customer base and profitability. In this second half of the interview, we'll look at how they intend to address the logistics of combining these two franchises, and how it plans on helping their shops find qualified employees.

**GEARS:** Cottman and AAMCO started out together, but they've been in competition for a long time; more than 40 years. In all that time, Cottman centers have seen AAMCO as the enemy; suddenly they *are* AAMCO. How do you plan to deal with that clash of corporate cultures?

**Todd Leff:** We've always had a great respect for the AAMCO brand and for AAMCO's management, so from a corporate perspective this has been an extremely easy transition. We have basically a combined corporate management team up and down the line. There are senior executives from both AAMCO and Cottman on our team; it's been a short period of time, but so far we've had a really seamless integration at the corporate level.

Surprisingly, I'm seeing a lot of that at the local level, when I go out to the field. While they are competitors, they still talk to each other; they know each other; they've been respectful competitors. And what I saw for the first time in the days after the announcement — and it was amazing to me — was AAMCO and Cottman dealers going to lunch for



maybe the first time ever, to discuss, "Hey, what are we going to do in our market?"

We had already planned a meeting in Denver for the day after the announcement. We kept that commitment; it was only supposed to be for Cottman dealers. The Cottman dealers called the AAMCO dealers from the area and invited them to the meeting; three of the AAMCO dealers showed up at that meeting.

Obviously there will be individual issues, but it's really striking how quickly the two groups are interacting with each other... talking with each other on a local basis. I think they all recognize the upside potential in the merger: If we're all flying one flag and we're not competing against each other, there are a lot of benefits for each of them. They have to put those emotional rivalries aside and think about the bigger picture

**GEARS:** One of the larger considerations for any franchise is making sure each shop has its own region; that isn't a consideration between competing franchises. Because of this merger, you now have shops that are effectively breathing down each other's necks. How are you planning to deal with that?

**Todd Leff:** Well, you're right. We have begun a complete reevaluation of basically every location, as well as customer base and demographics. There will be centers that will be asked to move, with assistance from the home office. We'll basically be underwriting those moves and the conversions of those stores. We recognize that, in certain markets, we'll have to move existing locations; but the numbers are lower than a lot of people think.

We have to think about it a little differently as we go into the Complete Car Care program, because that program provides centers with a larger base of vehicles than when we were just focused on transmissions.

You also have to remember that we aren't establishing a new competitor; those businesses already competed against each other. While they might be a little closer than we historically would have allowed, each shop already has an established base of customers. What we're asking is wouldn't it be smarter for them to work together than as competitors? Are they willing to weigh the benefits they'll each receive from this partnership against having someone working closer to them than they did historically?

We're having these conversations all across the country, as you can imagine, and generally, dealers are being

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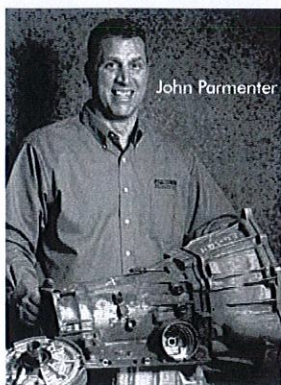




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more receptive to the proximity issue than they would have been in the past, if we'd said, "hey, we want to put a new AAMCO location in this particular spot."

**GEARS:** One of the difficulties many shops are having is finding qualified technicians. Are you planning anything to address that?

**Todd Leff:** Yes. As AAMCO, we've announced that we're forming a complete recruiting department for our franchisees. We'll have a dedicated staff of technical and management recruiters in our corporate offices who'll work to recruit qualified employees. We already have in-house technical training programs, which we'll continue to enhance, and field training programs, which both companies had, and will be enhanced as we move forward.

Obviously the company is saving money by combining AAMCO and Cottman into one location, and having one management team. Our commitment to our franchisees is that we plan to put some of those savings back into the company, to grow those types of services, such as recruiting, technical training, sales training... the programs that'll be necessary for our franchisees to succeed.

**GEARS:** It would seem that recruiting is going to be an important issue...

**Todd Leff:** Recruiting is going to be one of the biggest issues, but we're working with the combined resources of both organizations.

As an example of this joint cooperation, I went to a photo shoot at an AAMCO center in Philadelphia yesterday. The shop owner mentioned he'd been struggling for a little while, but he'd just hired a great builder, and our

recruiter here at the Cottman office had helped place that builder. As it turned out, the rebuilder had been working at Cottman, and was now working for an AAMCO center.

This is really a small industry; if you're in it for awhile, you get to know just about everyone. Putting the collective resources together from both organizations gives us a unique advantage for recruiting talented individuals. And, quite frankly, I think employees want to work for the biggest, best organization, because they see ground for future advancements.

**GEARS:** That's great for finding qualified employees that are already working in this business. But there's a real shortage of qualified technicians out there. What are you doing to help improve the technician base?

**Todd Leff:** That's a great question. One, we have an existing program with Job Core, to find and train new people for this industry. We're committed to continuing that program.

Another way we're addressing this is tied to the Complete Car Care program: It's much easier to find a good general maintenance technician than to find a qualified transmission technician. These technicians may work in a general repair shop or tire store. With the Complete Car Care program, we now have a position for a trainee-level technician. We're already seeing these people: they start by handling the maintenance services, but soon they think, "Hey, I'd like to learn R&R; in fact, someday I'd like to be the builder, because then I wouldn't even have to work under the car." It's already becoming a source for us to fuel future needs for technicians.

I don't think our industry has done

enough to bring in people from other parts of the repair industry to this specialty segment. We're going to devote resources to do it.

One of the ideas we've already discussed is to develop programs similar to those car dealers use in local markets. Those dealers have situated themselves as being a preferred goal for guys coming out of tech school. We have to make them think, "I want to work in the AAMCO system." We need them to realize that AAMCO centers offer them the same level of training, experience and compensation as they could expect at a dealership.

**GEARS:** I'm here for GEARS, the magazine for ATRA, which is the transmission industry's association. Do you see any role in ATRA for AAMCO?

**Todd Leff:** Over the years both AAMCO and Cottman have had some affiliation with industry associations; many of our franchisees are members of an industry association. We want to lead the industry in creating a positive image for the entire industry; not just for our shops.

I think that everyone in this industry is impacted by what happens to others in this industry. So I think from that perspective, where we can work to develop a positive image for the transmission industry, we're going to do that, and would certainly work in conjunction with an industry association like ATRA to do so.

**GEARS:** Is there anything you'd like to add in closing?

**Todd Leff:** I think AAMCO is a tremendous brand, and I believe that, on the long term, it'll clearly be a dominant player in the automotive aftermarket; not just the transmission industry. As we look at the combination here, AAMCO has just vaulted ahead of brands like Meineke, Sears and NTB. With AAMCO's 1100 locations, there's really only one automotive aftermarket chain that's larger: Midas.

This merger will allow us to put resources back to support franchisee profitability, and that will be a huge benefit for the company in the coming years. It will give our centers buying power, advertising power, and generally it's going to make them much stronger as we move forward.

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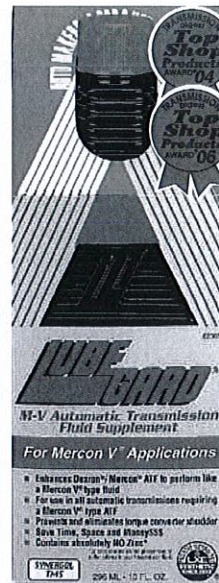


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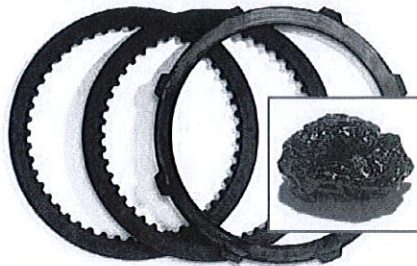
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